

**United States Environmental Protection Agency  
Criminal Investigation Division  
Investigative Activity Report**

**Case Number**

0506-0026

**Case Title:**

Ferguson Enterprises Inc.

**Reporting Office:**

Detroit, MI, Resident Office

**Subject of Report:**

Interview of (b)(6), (b)(7)(C) former DWSD Director

**Activity Date:**

August 18, 2010

**Reporting Official and Date:**

(b)(6), (b)(7)(C) RAC

26-AUG-2010, Signed by: (b)(6), (b)(7) RAC

**Approving Official and Date:**

(b)(6), (b)(7)(C), SAC

27-AUG-2010, Approved by: (b)(6), (b)(7), ASAC

**SYNOPSIS**

08/18/2010 - U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) former Director Detroit Water & Sewerage Department, also former Assistant General Counsel, Detroit Law Department, regarding the policies and contract procurement procedures.

**DETAILS**

On August 18, 2010, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) former Director Detroit Water & Sewerage Department, also former Assistant General Counsel, Detroit Law Department, regarding the policies and contract procurement procedures. Also present during the interview were Assistant U.S. Attorney Mark Chutkow and (b)(6), (b)(7)(C), counsel representing (b)(6). After being informed of the identity of the interviewing agent and the purpose of the interview, (b)(6), provided the following information:

(b)(6), had been employed by the DWSD for 13 years, which came to an end after (b)(6), (b)(6), (b) was sworn into office. (b)(6), attended a meeting of mayoral appointees two days after (b)(6), (b)(7) inauguration but when (b) arrived for the meeting (b) was told by (b)(6), (b), the Personnel Director, that (b) was not supposed to be at the meeting. When (b)(6), returned to (b) home that day (b) received a letter in the mail from (b)(6), (b)(7) notifying (b) that (b) was terminated. (b)(6), explained that all of the former mayoral appointees were terminated when (b)(6), (b) came to office.

(b)(6), became the Director of the DWSD in early September 2000 after (b)(6), (b)(7) left. During this term (b)(6), really didn't have a deputy director. (b)(6), was also the acting Deputy Director in August of 1993 under Mayor (b)(6), (b)(7)(C), the Deputy Director and acting Director at different times under Mayor Dennis Archer. When (b)(6), left the DWSD (b) was replaced by (b)(6), (b) who was named the Interim Director until (b)(6), (b) named (b)(6), (b)(7)(C) as the permanent Director. (b)(6), had been the Assistant Director for Waste Water Operations. (b)(6), never met with (b)(6), (b) and was not consulted on issues such as operation of the department or the federal consent decree with EPA.

When (b)(6), was terminated from the DWSD (b) returned to (b) former position as Assistant Corporation Counsel with the Law Department. (b)(6), was at first assigned to the Contracts Group. (b)(6), was told by (b) supervisor, (b)(6), (b)(7), that (b)(6), (b)(7)(C) had ordered (b)(6), (b), who was the Corporation Counsel, not to allow (b)(6), to work on or handle any water related contracts. (b)(6), (b)(7)(C) was the Chief of Government Affairs at the time and also knew of the order from (b)(6),. (b)(6), found this odd considering (b) 16 years of experience with the DWSD and suspected the mayor's administration had things they wanted to do. (b) based this

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belief in part on things (b)(6) was told by certain contractors, such as (b)(6), (b)(6) of Wade Trim. (b)(6), had heard that (b)(6), told certain contractors that (b)(6), was no longer a part of the DWSD and it was new day. (b)(6), explained that (b)(6) had the reputation of doing things the right way and there is no question that (b)(6) would resist anything which would violate the purchasing ordinance or was otherwise illegal or unethical.

Under the (b)(6), administration the DWSD contracts tended to be “distributed” to contractors and not to just favored companies.

(b)(6), spearheaded a new process of contract evaluations under the (b)(6), administration. (b)(6), wanted a clean slate in the contracting arena, thus (b)(6), came up with the idea that the DWSD would voluntarily extend the process of open bid review process which was used in the construction contracts to the consulting and professional services contracts. The review process was made mandatory and (b)(6), insisted that the DWSD divisions which would receive the end product be a part of the evaluation committee. Point categories were added for certain elements on the technical and qualification review. These changes were made to address (b)(6), (b)(6) and others concerns about bad or corrupt contract decisions. (b)(6), oversaw the changing of the purchasing ordinance to reflect this effort. In 1994 or 1996, the ordinance specifically was changed to make it mandatory that the highest scoring bidder be given the contract. This ordinance is still in effect although some changes were made under the (b)(6), (b)(6) Administration.

One of the changes made under the (b)(6), (b)(6) administration was the creation of a Detroit Headquartered Business (DHB) certification process. Once a company had DHB they received an extra 3% credit on bids submitted for city contracts. (b)(6), (b)(6) (7)(C) of Walbridge told (b)(6), that he supported this initiative. It seemed to (b)(6), that everyone who applied was identified by the Human Rights Department (HRD) as a DHB. The DHB certification process gave the mayor a lot of authority and the HRD didn't seem to understand the concept of the DHB definition. (b)(6), wrote a memo to the HRD explaining what to look for in a DHB.

(b)(6), has seen a list of contractors which was sent to the HRD by (b)(6), (b)(6) (7) office. This list contained the names of companies which the HRD was not to approve for certificates. (b)(6), (b)(6), (b)(6) was the head of HRD at the time and should have knowledge of the list. (b)(6) LNU and a female attorney from HRD also knew of the list. (b)(6), (b)(6) (7) of the Law Department may also know of the list. This list was sent right after the DHB amendment to the ordinance was passed. According to (b)(6), the names on the list were the same ones who were called by (b)(6), and told it was a new day.

(b)(6), heard that the big contracts were put on hold when (b)(6), (b)(6) took office and that staff from the mayor's office went to the DWSD to review the Capital Improvement Plan to identify the big contracts, who had been making money on the contracts, and those were the contractors which (b)(6), contacted and were later pressured to add (b)(6), (b)(6) to their contracts. Walbridge and Lakeshore Engineering (LSE) are two of the companies (b)(6), thought were pressured to hire (b)(6), (b)(6). (b)(6), thought that (b)(6), (b)(6) (7) of Contracts and Grants would know who from the Mayor's office came to review the capital improvement plan. (b)(6), heard that (b)(6), LNU of DLZ sat in on the interviews for the new Director of the DWSD at least for the internal candidates.

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(b)(6), explained that (b)(6), (b) changed the process of DWSD contracts so that LSE was overseeing the actual execution of the contracts, and added PMA as an engineering consultant. (b)(6), opined that this was a bad idea since the DWSD engineers were training to do this. (b)(6), (b) also hired IMG as a consultant.

(b)(6), never confided to (b)(6), any concerns he may have had about the awarding of contracts. (b)(6), characterized (b)(6), as a key person who knew what was going on with the awarding of contracts.

(b)(6), heard that (b)(6), (b) was upset with (b)(6), (b) over the water meters contract. (b)(6), (b) wanted to select Motor City as the contractor but (b)(6), (b) wanted the joint venture of DPM, consisting of Johnson Controls, Walbridge and FEI to win the contract. (b)(6), characterized Motor City as a much more qualified contractor but in the end DPM was awarded the contract. The evaluation committee was rumored to be going towards Motor City so the decision was delayed due to (b)(6), (b) (7) desire to have DPM win. (b)(6), was told to re-evaluate the bids. (b)(6), (b) (7) was the point person for Motor City on this contract. (b)(6), thought that (b)(6), (b) was too compliant to be fired by (b)(6), (b).

(b)(6), (b) (7) of the Contracts & Grants group of the DWSD told (b)(6), that (b) had been told to use an average cost method when evaluating a contract. (b)(6), thought that this was an absurd concept as it awarded the contract to the most "average" contractor. (b)(6), pointed out that this approach was not in accordance with the ordinance and the contractors were not told of this method of evaluation in advanced. This approach also discounts all of the factors used in the evaluations.

(b)(6), thought that Camp Dresser McKee (CDM) may have been one of the contractors which were contacted by (b)(6), (b)(6), characterized (b)(6), (b) (7) of DCI as someone who did what (b) could to get contracts. NTH was a pre-construction and geo services company that may have also been called by (b)(6), (b) (7)(C) is the point person at NTH.

(b)(6), (b) (7) was the head of facilities for the DWSD and was not happy about DWSD employees being moved into the Madison Polk building. The group which was moved into the building actually lost storage space as a result of the move and the basement later flooded and destroyed documents which were being stored there. (b)(6), was under the impression that there was no reason behind the move as the DWSD staff were adequately housed in the International Building. (b)(6), (b) (7)(C) and (b) (b)(6), (b) made a presentation to the Detroit Police and Fire Pension Fund for funding for a bowling and recreation center to be located at St. Jean and Jefferson. However (b)(6), (b) (7) had no capital for the project, over assessed the amount of financing needed and in the end did not receive funding from the pension fund.

(b)(6), (b) (7) was the Chair of the Water Board for a time and wanted to have more of a micro management approach to the DWSD. (b)(6), wanted a lot of sewer repairs and new sewers in areas being developed. (b)(6), explained that the Water Board do not participate in any way in the evaluation of contracts, have no stake in the development or intention of contracts, but can deny or cancel contracts. (b)(6), dated (b)(6), (b) (7)(C) of the DWSD for time. (b)(6), headed the Commercial Division and reportedly did a poor job of collecting monies owed to the DWSD.

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